

Message Text

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PAGE 01 STATE 077126

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FM SECSTATE WASHDC

TO AMEMBASSY MEXICO PRIORITY

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E.O. 11652: N/A

TAGS: BEXP, MX

SUBJECT: PROPOSED GOM PURCHASE OF KAOLIN COMPLEX

1. SUMMARY - MEXICAN DELEGATION PLEASED WITH VISIT AND MOST ENTHUSIASTIC TO GO AHEAD WITH LUMMUS CONSTRUCTION OF KAOLIN PLANT. BASIC QUESTIONS, HOWEVER, MUST BE ANSWERED BEFORE LUMMUS CAN PROCEED AND IN ORDER TO OBTAIN EXIM FINANCING. PRIMARY QUESTION IS ORGANIZATION OF GOM ENTITY WHICH WILL UNDERTAKE RESPONSIBILITY FOR PROJECT, AND FORMALIZATION OF DECISION TO BUILD PLANT BY MEXICAN GOVERNMENT. SECOND IMPORTANT CONSIDERATION IS ASSESSMENT OF QUALITY AND QUANTITY OF MINERAL RESERVES WHICH MUST BE DOCUMENTED IN FORM OF FEASIBILITY STUDY IN ORDER TO DETERMINE EXACT SIZE, TYPE, AND COST OF PLANT.

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PAGE 02 STATE 077126

2. LIC. DIAZ ARRIVED WASHINGTON, WEDNESDAY, APRIL 10, AND CONTACTED COMMERCE MEDP TO ARRANGE SCHEDULE FOR REST OF GROUP. COMMERCE ARRANGED FOR DIAZ TO VISIT LUMMUS COMPANY HEADQUARTERS IN BLOOMFIELD, N.J., ON WEDNESDAY AFTERNOON. REST OF DELEGATION, INCLUDING ING. AVILA, DR. NIETO, ING. GOMEZ, AND ARQ. OJEDA (PRESIDENT'S SON DID NOT COME), ARRIVED APRIL 11.

3. FRIDAY ACTIVITIES INCLUDED: LUNCHEON HOSTED BY COMMERCE DEPUTY ASSISTANT SECRETARY M. DUNN AND DEPUTY ASSISTANT SECRETARY M. VAN GESSEL; AFTERNOON MEETING AT EXIMBANK WITH WALTER SAUER, VICE CHAIRMAN; DINNER HOSTED BY LUMMUS COMPANY AND LUMMUS PARENT CO. COMBUSTION ENGINEERING. SATURDAY GROUP FLOWN TO ANDERSONVILLE, GA., ON COMBUSTION ENGINEERING COMPANY JET TO VISIT KAOLIN FACILITY BUILT BY LUMMUS AND OWNED AND OPERATED BY C.E. MINERALS, ALSO A DIVISION OF COMBUSTION ENGINEERING.

4. SEVERAL QUESTIONS WERE BROUGHT UP DURING DISCUSSIONS. PRIMARY ONE IS FORMALIZATION OF INTENTION BY GOM TO GO AHEAD WITH PROJECT AND ORGANIZATION OF ENTITY TO OVERSEE PROJECT. VISIT TO U.S. APPEARED TO BE FIRST TIME THREE GOM PARTIES, I.E., COMISION DEL RIO BALSAS, PATRIMONIA NACIONAL, FONDO DE FOMENTO EJIDAL, HAVE COME TOGETHER TO DISCUSS PROJECT. GOM OFFICIALS PROMISED LETTER TO LUMMUS FORMALIZING INTENT TO BUILD PROJECT AND THE STRUCTURE OF THE MANAGEMENT BODY. GOM OFFICIALS INDICATED THERE WAS NO PROBLEM ALONG THIS LINE, BUT QUESTION STILL REMAINS AS TO WHEN FINAL DECISION WILL BE MADE AND WHO WILL UNDERTAKE LEADERSHIP.

5. SECOND QUESTION IS THAT OF FEASIBILITY STUDY INCLUDING GEOLOGICAL ASSESSMENT OF MINERAL RESERVES. THIS MUST BE DONE PRIOR TO FINAL DETERMINATION OF SIZE AND OUTPUT OF PLANT, PROCESS, AS WELL AS PRODUCT AND BY-PRODUCTS. LUMMUS CANNOT THEREFORE GIVE COMPLETE COST QUOTE UNTIL QUALITY AND QUANTITY OF RESERVES ARE DETERMINED. EXIM BANK ALSO WILL REQUIRE DETAILED FEASIBILITY STUDY.

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PAGE 03 STATE 077126

6. LUMMUS HAS CAPABILITY TO PREPARE FEASIBILITY STUDY, HOWEVER MEXICANS SEEM TO PREFER O DO THIS THEMSELVES. IN SUCH CASE LUMMUS WILL WANT TO ADVISE MEXICANS AND APPROVE STUDY BEFORE GOING AHEAD WITH DESIGN FOR PLANT AS WELL AS TO ASSURE THAT STUDY WILL MEET REQ'S OF FINANCIAL INSTITUTIONS. STUDY WILL ALSO NEED TO ANSWER SUCH BASIC QUESTIONS AS WHERE PLANT WILL BE LOCATED BASED ON AVAILABILITY OF RAW MATERIALS. STUDY ESTIMATED

TO TAKE SIX MONTHS.

7. SHOULD BE EMPHASIZED TO MEXICANS THAT LUMMUS HAS CAPABILITY TO BUILD ANY TYPE OF FACILITY DICTATED BY MINERAL RESERVES. ALSO, THAT LUMMUS CAN ACT AS REPRESENTATIVE IN ARRANGING EXIM FINANCING. LUMMUS CAN, IF DESIRED BY MEXICANS, OPERATE THE PLANT IN THE INITIAL STAGE AND EVEN ASSIST IN MARKETING THE PRODUCT.

8. LUMMUS REP WILL BE IN MEXICO APRIL 22 FOR FURTHER DISCUSSIONS.

9. BOTH MEXICANS, AND LUMMUS AND COMBUSTION ENGINEERING MANAGEMENT, WERE MOST COMPLIMENTARY OF EMBASSY AND COMMERCE SERVICES. MEXICANS WERE VERY PLEASED WITH EVENTS AND QUITE IMPRESSED WITH ANDERSONVILLE PLANT.

10. WOULD APPRECIATE ENBASSY COMMENTS AND REPORT ON ENSUING DISCUSSIONS WITH LUMMUS IN MEXICO. KISSINGER

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